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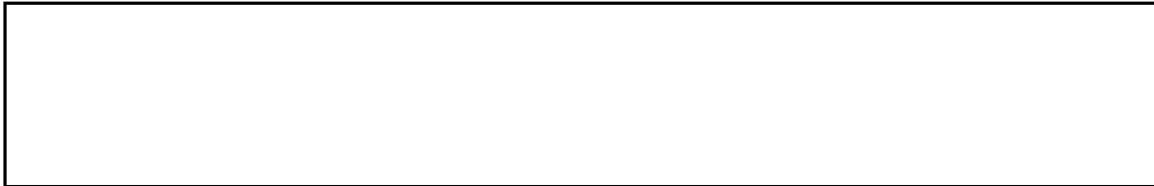
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SOVIET UNION

1. Comment on reorganizations in Soviet republics:

The Supreme Soviets in the Georgian, Azerbaijani, Moldavian and Karelo-Finnish Republics have convened within the last week to approve ministerial changes in line with the All-Union governmental reorganization of 15 March.

In Georgia, the reorganization included a major shake-up in both the party and government which appears to exonerate the Georgian leaders who were arrested in 1951-52. At that time, public revelations concerning the situation in Georgia seemed to reflect a weakening in the position of L. P. Beria, who was considered to have a personal interest in Georgian affairs.

The present developments, therefore, appear to be the result of high-level political decisions in Moscow absolving Beria and certain of his Georgian henchmen. This is also suggested in the speech by the new chairman of the Georgian Council of Ministers which referred to Beria in particularly glowing terms, without making reference to Malenkov.

It is noteworthy that despite Pravda's 16 April editorial against one-man control, the newly elected chairman of the Azerbaijani Council of Ministers, Bagirov, assured the Azerbaijani Supreme Soviet that the people would rally around Malenkov, the closest comrade in arms of Stalin. Bagirov is a candidate member of the party's Presidium in Moscow.

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NEAR EAST - AFRICA**3. Comment on Israeli diplomatic maneuvers:**

Israel's public announcement that it plans to launch a diplomatic drive for peace with the Arabs represents a new effort to force its neighbors to negotiate directly or be labeled as aggressive and uncooperative with the West. Israel, concerned over the reported reconsideration by the United States of its Near East policy, is anxious to appear wholly cooperative and the champion of a Middle East settlement.

Tel Aviv has given no indication, however, that it is ready to make useful concessions to promote an understanding with the Arabs who at present are more interested in any new US Middle East policy than in peace. Recent incidents involving Israel with Egypt and Jordan will make any possible approaches toward settlement in the immediate future even less likely.

WESTERN EUROPE**4. French oppose outright withdrawal of short Austrian treaty:**

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French Foreign Ministry officials state that France does not support the British view that the West should unconditionally

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abandon the abbreviated Austrian treaty draft prior to a further exchange of diplomatic notes with Moscow.

If the Russians abandoned extraneous issues such as Trieste and a possible demand for Austrian neutralization, France believes that the West should conclude the long treaty draft with its economic concessions to the Soviet Union and with the Soviet version of the unagreed articles. The French consider that Austrian willingness to accept this solution leaves the West no alternative.

Comment: There is no indication that the Soviet Union will resume negotiations on terms other than prior Western withdrawal of the short draft. Should this question be held in abeyance pending actual resumption of treaty talks, the Western powers would still be in fundamental disagreement on the acceptability of the economic concessions which Russia would receive under the long treaty.

5. Russians make conciliatory gestures in Austria:

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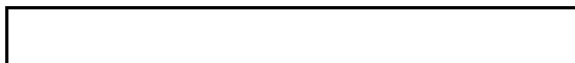
The American Embassy in Vienna reports that local Soviet authorities have suddenly become more conciliatory, and have even invited Oscar Helmer, the strongly anti-Communist Austrian Minister of Interior, to visit Moscow.

At the 17 April meeting of the Allied Council's executive committee, the Russians altered their previous position. This resulted in agreement on four items and the dropping of two others that were potentially troublesome. At a luncheon after the meeting, Soviet officials indicated that a dispute over interzonal passes would soon be resolved.

Comment: The invitation to Helmer is particularly surprising, because no other official of the Austrian Government has been as much disliked by the Russians.

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Since the Russians have several times in the past made conciliatory gestures prior to treaty negotiations, these developments should not be interpreted as Soviet relaxation on the terms of an Austrian treaty.

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7. Grave financial difficulties threaten French Government:

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Leaders of the major non-Communist French political parties predict that the government's grave financial predicament will cause Premier Mayer's downfall in May.

The American Embassy in Paris expects that in any event parliamentary opposition to new taxes, investment retrenchment, and administrative reforms will force cuts in the French military program. It also foresees a real danger that any new premier would agree to put off EDC ratification in return for support on urgent economic problems.

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Comment: Mayer's reliance on advances by the Bank of France to the Treasury, which have so far postponed a showdown on the government's financial troubles, has strengthened inflationary pressures. The Finance Ministry does not expect to meet the 31 May deadline for repayment of the late March \$228,000,000 loan, which was a temporary advance beyond the legal ceiling.

The government has already gone back on its commitment to release nearly \$100,000,000 of blocked defense appropriations, and may decide to reduce the 2.3 billion dollar budgetary deficit by cancelling an even larger portion of 1953 defense appropriations.

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